



## 104TH GENERAL ASSEMBLY

### State of Illinois

2025 and 2026

HB2850

Introduced 2/6/2025, by Rep. Maurice A. West, II

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the Student Loan Servicing Rights Act. Creates within the Act an Article concerning educational income share agreements. Contains provisions concerning: monthly payment affordability; maximum annual percentage rates; limits on the duration of income share agreements; risk sharing; limits on covered income; fees; restrictions on security interests; discharge of obligations; prohibitions on cosigners; limits on acceleration; assignment of wages; limitations on garnishment; use of multiple agreements; required disclosures; early completion of the agreement; assumption of increases in future income; receipts; and adjustment of dollar amounts. Provides that the Attorney General may enforce a violation of the Educational Income Share Agreements Article of the Student Loan Servicing Rights Act as an unlawful practice under the Consumer Fraud and Deceptive Business Practices Act. Makes other changes. Amends the Consumer Installment Loan Act and the Interest Act to make conforming changes. Provides that the provisions of the amendatory Act are severable. Effective immediately.

LRB104 12120 JDS 22219 b

1 AN ACT concerning education.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Student Loan Servicing Rights Act is  
5 amended by changing Sections 1-5 and 25-5 and by adding  
6 Article 7 as follows:

7 (110 ILCS 992/1-5)

8 Sec. 1-5. Definitions. As used in this Act:

9 "Applicant" means a person applying for a license pursuant  
10 to this Act.

11 "Borrower" or "student loan borrower" means a person who  
12 has received or agreed to pay a student loan for his or her own  
13 educational expenses.

14 "Cosigner" means any individual who is liable for the  
15 obligation of another without compensation, regardless of how  
16 the individual is designated in the contract or instrument  
17 with respect to that obligation, including an obligation under  
18 a private education loan extended to consolidate a borrower's  
19 preexisting student loans. The term includes any individual  
20 whose signature is requested, as a condition, to grant credit  
21 or to forbear on collection. The term does not include a spouse  
22 of an individual if the spouse's signature is needed solely to  
23 perfect the security interest in a loan.

1 "Department" means the Department of Financial and  
2 Professional Regulation.

3 "Division of Banking" means the Division of Banking of the  
4 Department of Financial and Professional Regulation.

5 "Federal loan borrower eligible for referral to a  
6 repayment specialist" means a borrower who possesses any of  
7 the following characteristics:

8 (1) requests information related to options to reduce  
9 or suspend his or her monthly payment;

10 (2) indicates that he or she is experiencing or  
11 anticipates experiencing financial hardship, distress, or  
12 difficulty making his or her payments;

13 (3) has missed 2 consecutive monthly payments;

14 (4) is at least 75 days delinquent;

15 (5) is enrolled in a discretionary forbearance for  
16 more than 9 of the previous 12 months;

17 (6) has rehabilitated or consolidated one or more  
18 loans out of default within the past 12 months; or

19 (7) has not completed a course of study, as reflected  
20 in the servicer's records, or the borrower identifies  
21 himself or herself as not having completed a program of  
22 study.

23 "Federal education loan" means any loan made, guaranteed,  
24 or insured under Title IV of the federal Higher Education Act  
25 of 1965.

26 "Income-driven payment plan certification" means the

1 documentation related to a federal student loan borrower's  
2 income or financial status the borrower must submit to renew  
3 an income-driven repayment plan.

4 "Income-driven repayment options" includes the  
5 Income-Contingent Repayment Plan, the Income-Based Repayment  
6 Plan, the Income-Sensitive Repayment Plan, the Pay As You Earn  
7 Plan, the Revised Pay As You Earn Plan, and any other federal  
8 student loan repayment plan that is calculated based on a  
9 borrower's income.

10 "Licensee" means a person licensed pursuant to this Act.

11 "Other repayment plans" means the Standard Repayment Plan,  
12 the Graduated Repayment Plan, the Extended Repayment Plan, or  
13 any other federal student loan repayment plan not based on a  
14 borrower's income.

15 "Private education loan" has the meaning ascribed to the  
16 term in Section 140 of the federal Truth in Lending Act (15  
17 U.S.C. 1650). In addition, "private education loan" includes  
18 an income share agreement and student financing.

19 "Private loan borrower eligible for referral to a  
20 repayment specialist" means a borrower who possesses any of  
21 the following characteristics:

22 (1) requests information related to options to reduce  
23 or suspend his or her monthly payments; or

24 (2) indicates that he or she is experiencing or  
25 anticipates experiencing financial hardship, distress, or  
26 difficulty making his or her payments.

1 "Requester" means any borrower or cosigner that submits a  
2 request for assistance.

3 "Request for assistance" means all inquiries, complaints,  
4 account disputes, and requests for documentation a servicer  
5 receives from borrowers or cosigners.

6 "Secretary" means the Secretary of Financial and  
7 Professional Regulation, or his or her designee, including the  
8 Director of the Division of Banking of the Department of  
9 Financial and Professional Regulation.

10 "Servicing" means: (1) receiving any scheduled periodic  
11 payments from a student loan borrower or cosigner pursuant to  
12 the terms of a student loan; (2) applying the payments of  
13 principal and interest and such other payments with respect to  
14 the amounts received from a student loan borrower or cosigner,  
15 as may be required pursuant to the terms of a student loan; and  
16 (3) performing other administrative services with respect to a  
17 student loan.

18 "Student loan" or "loan" means any federal education loan  
19 or other loan primarily for use to finance a postsecondary  
20 education and costs of attendance at a postsecondary  
21 institution, including, but not limited to, tuition, fees,  
22 books and supplies, room and board, transportation, and  
23 miscellaneous personal expenses. "Student loan" includes a  
24 loan made to refinance a student loan.

25 "Student loan" shall not include an extension of credit  
26 under an open-end consumer credit plan, a reverse mortgage

1 transaction, a residential mortgage transaction, or any other  
2 loan that is secured by real property or a dwelling.

3 "Student loan" shall not include an extension of credit  
4 made by a postsecondary educational institution to a borrower  
5 if one of the following apply:

6 (1) The term of the extension of credit is no longer  
7 than the borrower's education program.

8 (2) The remaining, unpaid principal balance of the  
9 extension of credit is less than \$1,500 at the time of the  
10 borrower's graduation or completion of the program.

11 (3) The borrower fails to graduate or successfully  
12 complete his or her education program and has a balance  
13 due at the time of his or her disenrollment from the  
14 postsecondary institution.

15 "Student loan servicer" or "servicer" means any person  
16 engaged in the business of servicing student loans. "Student  
17 loan servicer" or "servicer" includes persons or entities  
18 acting on behalf of the State Treasurer. "Student loan  
19 servicer" includes an EISA provider covered under Article 7 of  
20 this Act.

21 "Student loan servicer" shall not include:

22 (1) a bank, savings bank, savings association, or  
23 credit union organized under the laws of the State or any  
24 other state or under the laws of the United States;

25 (2) a wholly owned subsidiary of any bank, savings  
26 bank, savings association, or credit union organized under

1 the laws of the State or any other state or under the laws  
2 of the United States;

3 (3) an operating subsidiary where each owner of the  
4 operating subsidiary is wholly owned by the same bank,  
5 savings bank, savings association, or credit union  
6 organized under the laws of the State or any other state or  
7 under the laws of the United States;

8 (4) the Illinois Student Assistance Commission and its  
9 agents when the agents are acting on the Illinois Student  
10 Assistance Commission's behalf;

11 (5) a public postsecondary educational institution or  
12 a private nonprofit postsecondary educational institution  
13 servicing a student loan it extended to the borrower;

14 (6) a licensed debt management service under the Debt  
15 Management Service Act, except to the extent that the  
16 organization acts as a subcontractor, affiliate, or  
17 service provider for an entity that is otherwise subject  
18 to licensure under this Act;

19 (7) any collection agency licensed under the  
20 Collection Agency Act that is collecting post-default  
21 debt;

22 (8) in connection with its responsibilities as a  
23 guaranty agency engaged in default aversion, a State or  
24 nonprofit private institution or organization having an  
25 agreement with the U.S. Secretary of Education under  
26 Section 428(b) of the Higher Education Act (20 U.S.C.

1 1078(B));

2 (9) a State institution or a nonprofit private  
3 organization designated by a governmental entity to make  
4 or service student loans, provided in each case that the  
5 institution or organization services fewer than 20,000  
6 student loan accounts of borrowers who reside in Illinois;

7 (10) a law firm or licensed attorney that is  
8 collecting post-default debt; or

9 (11) the State Treasurer.

10 "Total and permanent disability" means a physical or  
11 mental impairment, disease, or loss of a permanent nature that  
12 prevents employment with or without reasonable accommodation,  
13 with proof of disability being in the form of a declaration  
14 from the United States Social Security Administration, the  
15 Illinois Workers' Compensation Commission, the United States  
16 Department of Defense, or an insurer authorized to transact  
17 business in this State who is providing disability insurance  
18 coverage to a contractor. The term does not include a  
19 condition that has not progressed or been exacerbated or that  
20 the individual did not acquire until after the closing of the  
21 loan agreement. In addition, documentation sufficient to  
22 establish a total and permanent disability for a federal  
23 student loan made pursuant to Title IV of the federal Higher  
24 Education Act of 1965 is sufficient to establish a total and  
25 permanent disability under this Act.

26 (Source: P.A. 103-748, eff. 8-2-24.)



1 (110 ILCS 992/Art. 7 heading new)

2 ARTICLE 7. EDUCATIONAL INCOME SHARE AGREEMENTS

3 (110 ILCS 992/7-1 new)

4 Sec. 7-1. Purpose and construction. This Article shall be  
5 construed as a consumer-protection law for all purposes and  
6 shall be liberally construed to effectuate its purpose.

7 (110 ILCS 992/7-3 new)

8 Sec. 7-3. Applicability. This Article applies only to  
9 educational income share agreements.

10 (110 ILCS 992/7-5 new)

11 Sec. 7-5. Definitions. As used in this Article:

12 "Amount financed" means the amounts advanced by the EISA  
13 provider to the consumer or on behalf of the consumer, or if  
14 the EISA provider is a merchant financing the sale of goods or  
15 services to the consumer using an EISA, "amount financed"  
16 means the amount credited by the EISA provider toward the  
17 purchase of expenses described in the definition of  
18 "educational income share agreement".

19 "Annual percentage rate" or "APR" means the percentage  
20 rate calculated according to the Federal Reserve Board's  
21 methodology as set forth under Regulation Z, 12 CFR Part 1026.  
22 The "annual percentage rate" of an EISA is the measure of the

1 cost of the EISA, expressed as a yearly rate, that relates to  
2 the amount and timing of value received by the consumer to the  
3 amount and timing of payments made, including any charges or  
4 fees that would be included in the APR as set forth under  
5 Regulation Z, 12 CFR Part 1026. The "annual percentage rate"  
6 is determined in accordance with either the actuarial method  
7 or the United States rule method.

8 "Cash price" has the meaning given in 12 CFR 1026.2(a)(9).

9 "Consumer" means a natural person who enters into an EISA.

10 "Educational income share agreement" or "EISA" means an  
11 agreement between a consumer and an EISA provider under which:

12 (1) the EISA provider credits or advances a sum of  
13 money to the consumer or to a third party on the consumer's  
14 behalf or, if the EISA provider is a seller of goods or  
15 services to the consumer, the EISA provider credits or  
16 advances toward the purchase of such goods or services;

17 (2) the consumer is obligated to make periodic  
18 payments, if any become due, to the EISA provider  
19 calculated, based upon, or determined by the consumer's  
20 income;

21 (3) the consumer incurs an obligation in each payment  
22 period only if the individual's income in that period is  
23 above an income threshold specified in the EISA;

24 (4) there is an EISA duration after which the  
25 obligation is complete, regardless of how much has been  
26 paid, as long as the consumer has paid any prior amounts

1 due;

2 (5) each of these elements is available at the time  
3 the agreement is executed;

4 (6) the agreement is not made, insured, or guaranteed  
5 under Title IV of the federal Higher Education Act of 1965  
6 or another federally subsidized educational finance  
7 program; and

8 (7) the agreement is extended to a consumer expressly,  
9 in whole or in part, for postsecondary educational  
10 expenses, tuition, or other obligations of, or pay amounts  
11 to or on behalf of such an individual, for the costs  
12 associated with a postsecondary training program or any  
13 other program designed to increase the individual's human  
14 capital, employability, or earning potential, including,  
15 but not limited to, a program eligible to participate as a  
16 program under Title IV of the federal Higher Education Act  
17 of 1965, as well as any personal expenses, such as books,  
18 supplies, transportation, and living costs, incurred by  
19 the individual while enrolled in such a program and any  
20 other costs or expenses included in the definition of  
21 "qualified higher education expenses" under 26 U.S.C.  
22 529(e)(3)(A), including the refinancing of loans or  
23 agreements used for the purposes described in this  
24 paragraph (7) and regardless of whether the agreement is  
25 provided by the educational institution that the consumer  
26 attends.

1           For purposes of this definition, an EISA shall be  
2           treated as a credit, within the meaning of that term under  
3           15 U.S.C. 1602(f), and as a "private education loan",  
4           within the meaning of that term under 15 U.S.C.  
5           1650(a)(8), to the extent the proceeds of the EISA are  
6           used for postsecondary educational expenses in a manner  
7           consistent with the definition of that term.

8           "EISA duration" means the maximum time during which a  
9           consumer could remain obligated on the EISA, other than  
10           periods when an EISA provider is attempting to collect  
11           past-due amounts and absent periods of payment relief pauses,  
12           forbearance, military service suspension, or other suspension  
13           of obligations at the request of the consumer, regardless of  
14           whether the consumer's income is greater than the minimum  
15           income.

16           "EISA maximum number of payments" means the maximum number  
17           of EISA payments during EISA payment periods in which the  
18           consumer's income is equal to or greater than the income  
19           threshold that a consumer could be required to make under the  
20           terms of the EISA. "EISA maximum number of payments" does not  
21           include periods of payment relief pause.

22           "EISA payment" means a calculated monthly payment in  
23           excess of \$0.00 that counts toward the maximum income-based  
24           payments under the EISA. An "EISA payment" is required only  
25           for income earned during an EISA payment period in which the  
26           consumer's income was equal to or greater than the income

1 threshold.

2 "EISA payment calculation method" means the mechanism,  
3 formula, percentage, dollar figure, or other means of  
4 calculating a student's payment obligation, based on the  
5 student's income, under the terms of the EISA.

6 "EISA payment cap" means the maximum amount of money a  
7 consumer must pay to satisfy the terms of an EISA, which may be  
8 expressed as a dollar value, a multiple of the amount funded to  
9 the student or on the student's behalf, or as a maximum  
10 effective annual percentage rate.

11 "EISA payment cap" does not include charges that would be  
12 excluded from the definition of the term "finance charge"  
13 under 12 CFR 1026.

14 "EISA provider" means:

15 (1) a person or entity that provides money, payments,  
16 or credits to or on behalf of a consumer pursuant to the  
17 terms of an EISA;

18 (2) any person or entity engaged in the business of  
19 soliciting, making, funding, or extending EISAs; or

20 (3) any person or entity that is providing educational  
21 services to the consumer and receiving compensation from  
22 an EISA provider (separate from proceeds of the EISA to  
23 cover educational expenses of the consumer) for  
24 advertising, marketing, or recommending EISAs, on behalf  
25 of an EISA provider, for those educational services.

26 This definition does not apply to an entity that either

1 (i) has no direct interactions with the consumer and is not  
2 responsible for making credit decisions regarding the consumer  
3 or (ii) is the provider of the educational services to the  
4 consumer, unless the entity qualifies under paragraph (1),  
5 (2), or (3).

6 "Federal poverty guidelines" means the poverty guidelines  
7 updated periodically in the Federal Register by the U.S.  
8 Department of Health and Human Services under the authority of  
9 42 U.S.C. 9902(2).

10 "Garnishment" means any legal or equitable procedure  
11 through which earnings of an individual are required to be  
12 withheld for payment of obligations to an EISA provider as set  
13 forth in the Code of Civil Procedure.

14 "Income threshold" means a fixed dollar amount that is the  
15 minimum income per payment period that an EISA recipient is  
16 required to earn before the EISA recipient is required to make  
17 a payment on an EISA for such payment period.

18 "Index" means the Consumer Price Index for Urban Wage  
19 Earners and Clerical Workers: U.S. City Average, All Items,  
20 1967=100, compiled by the Bureau of Labor Statistics, United  
21 States Department of Labor.

22 "Payment relief pause" means a period of time that is  
23 requested by the consumer during which the consumer is not  
24 required to make payments despite the consumer's income  
25 exceeding the income threshold.

26 "Sales price" means the "total sale price" as set forth in

1 12 CFR 1026.18(j).

2 (110 ILCS 992/7-10 new)

3 Sec. 7-10. Monthly payment affordability.

4 (a) Each EISA shall specify the EISA payment calculation  
5 method applicable to the EISA. An EISA shall not require  
6 payments from the consumer toward that EISA that exceed 8% of  
7 the consumer's income. An EISA provider shall not enter into  
8 an EISA with a consumer if the consumer would be committing to  
9 pay more than 15% of the consumer's income at any time during  
10 the EISA duration, based on information available to the EISA  
11 provider at the time of the projection, inclusive of any  
12 payment obligations that the EISA provider knows will arise in  
13 the future for other EISAs and education loans upon which the  
14 consumer is obligated at the time of the projection. The EISA  
15 provider must confirm a consumer's EISA and education loan  
16 liabilities through a verifiable third-party source. At a  
17 minimum, the EISA provider must confirm such liabilities using  
18 information maintained by a nationwide consumer reporting  
19 agency, as defined by 15 U.S.C. 1681a(f), and doing so is  
20 sufficient for meeting the requirement in this subsection.  
21 However, nothing in this subsection shall prohibit an EISA  
22 provider from using other sources to provide additional  
23 verification. For the purposes of calculating the portion of a  
24 student's future income that would be consumed by the EISA for  
25 which the student has applied and other EISAs and education

1 loans known at the time, the EISA provider shall calculate the  
2 aggregate future burden of all such obligations, including the  
3 EISA for which the student is applying, at the hypothetical  
4 future income levels described in subdivision (a)(15)(iii) of  
5 Section 7-75, ranging from the income threshold of the EISA  
6 for which the student has applied up to the maximum income  
7 described in subdivision (a)(15)(iii) of Section 7-75. The  
8 terms of the EISA for which the student has applied cannot  
9 cause the student's aggregate future burden to exceed the  
10 percentage limits in this subsection at any of the income  
11 increments stated in this Section. For the purpose of  
12 calculating the percentage burden of an EISA at a given future  
13 income level, the EISA provider shall use the EISA payment  
14 amount that would be applicable for the EISA at such income  
15 level. For the purpose of calculating the percentage burden of  
16 an educational loan at a given future income level, the EISA  
17 provider shall divide the annual payment obligation by income  
18 level using the most affordable payment plan or option which  
19 would yield the lowest monthly payments that would be  
20 available to the student at such income level under such loan.  
21 For students enrolled in a program eligible to receive federal  
22 student loans under Title IV of the federal Higher Education  
23 Act of 1965, as part of this analysis the EISA provider shall  
24 assume a federal loan balance equal to the larger of (1) the  
25 student's existing federal loan balance and (2) the aggregate  
26 maximum amount the student is eligible to borrow under Federal



1 Direct Stafford Loans for the student's status, dependent or  
2 independent.

3 (b) The EISA must state that when a consumer has income  
4 that is equal to or below the income threshold set forth in the  
5 EISA that the consumer's payment obligation is zero dollars.  
6 The income threshold must be equal to or greater than \$47,000;  
7 however, that amount shall be increased on January 1, 2026,  
8 and every other January 1 thereafter, by the annual unadjusted  
9 percentage increase (but not less than zero) in the index for  
10 the 12 months ending with the preceding September, including  
11 all previous adjustments.

12 (c) An EISA must offer at least 3 months of voluntary  
13 payment relief pauses for every 30 income-determined payments  
14 required under the EISA.

15 (d) During the payment process for the EISA, the consumer  
16 may request that the income threshold on the EISA be adjusted  
17 upward to ensure the consumer's income, less any payments  
18 required by the EISA, would be greater than or equal to the  
19 minimum essential income based on the consumer's current place  
20 of residence.

21 As used in this subsection (d), the consumer's minimum  
22 essential income is equal to 275% of the federal poverty  
23 guidelines for a single person (for the year in which the  
24 calculation is performed), multiplied by a cost-of-living  
25 adjustment factor equal to the ratio of (i) the current  
26 locality payment percentage issued by the U.S. Office of

1 Personnel Management for the locality pay area in which the  
2 consumer resides, divided by (ii) the current locality payment  
3 percentage issued by the U.S. Office of Personnel Management  
4 for the "Rest of U.S." locality pay area. The locality pay  
5 areas described in this subsection (d) are the locality pay  
6 areas described in 5 CFR 531.603.

7 An EISA provider must notify consumers of this option on  
8 each monthly billing statement. Nothing in this provision  
9 shall prevent an EISA provider from taking reasonable steps to  
10 confirm a consumer's place of residence (such as requiring a  
11 copy of a utility bill or a driver's license) for the purpose  
12 of establishing the consumer's minimum essential income,  
13 including if the EISA provider believes a consumer's place of  
14 residence has changed. Furthermore, an EISA provider may  
15 require that a consumer has resided at a location for at least  
16 90 days before adjusting the consumer's minimum essential  
17 income.

18 (110 ILCS 992/7-15 new)

19 Sec. 7-15. Maximum effective annual percentage rate. An  
20 EISA must specify that the maximum amount that a consumer  
21 could be required to pay under the EISA will not result in a  
22 consumer ever being required to pay an effective annual  
23 percentage rate that is greater than 9% or the high yield of  
24 the 10-year United States Constant Maturity Treasury Notes  
25 auctioned at the final auction held before the current

1 calendar year in which the EISA is originated plus 6%,  
2 whichever is greater. If at any time the EISA provider accepts  
3 a payment of an amount that would cause the limit in this  
4 Section to apply, the EISA provider shall, within 20 calendar  
5 days, refund any amounts necessary to ensure that the  
6 consumer's payments do not result in an effective annual  
7 percentage rate that is greater than the limit specified in  
8 this Section.

9 (110 ILCS 992/7-20 new)

10 Sec. 7-20. Limits on duration of EISAs.

11 (a) The EISA maximum number of payments shall not exceed  
12 180 monthly payments.

13 (b) The EISA duration shall not exceed 240 months,  
14 excluding any months in which a consumer has requested and  
15 received a payment relief pause.

16 (110 ILCS 992/7-25 new)

17 Sec. 7-25. Risk sharing.

18 (a) An EISA provider may not contract for EISA terms that  
19 would result in a consumer having income that is less than or  
20 equal to 450% of the federal poverty guidelines for a single  
21 person for the EISA duration being required to make a stream of  
22 EISA payments that would yield an effective APR greater than  
23 8.5%, or the high yield of the 10-year United States Constant  
24 Maturity Treasury Notes auctioned at the final auction held

1 before the current calendar year in which an EISA offering is  
2 made plus 4.5%, whichever is greater.

3 (b) An EISA provider shall calculate the effective APR in  
4 subsection (a) by determining the federal poverty guidelines  
5 at the time the consumer's EISA is originated and assuming  
6 such amount is fixed through the EISA duration.

7 (c) For the purposes of determining EISA duration in this  
8 Section, an EISA provider shall assume the EISA duration  
9 started after a period equal to the expected length of the  
10 program for which a consumer is enrolling.

11 (d) If there is a discrepancy between the effective annual  
12 percentage rate as calculated in this Section and the maximum  
13 effective annual percentage rate as calculated in Section  
14 7-15, the lower effective annual percentage rate shall apply  
15 in this Section 7-25.

16 (110 ILCS 992/7-30 new)

17 Sec. 7-30. Limits on covered income. An EISA must specify  
18 the definition of income to be used for the purposes of  
19 calculating a consumer's payment obligation under the EISA. No  
20 EISA shall include any of the following in its definition of  
21 income:

22 (1) the income of the consumer's spouse, children, or  
23 dependents or a party to a civil union with the consumer  
24 under the Illinois Religious Freedom and Civil Union Act;  
25 or

1           (2) any amount paid by the consumer under Title II or  
2           XVI of the Social Security Act, 42 U.S.C. 401 et seq. or 42  
3           U.S.C. 1381 et seq., or under a State program funded by  
4           Title IV of the Social Security Act, 42 U.S.C. 601 et seq;

5           (3) individual retirement account distributions;

6           (4) pensions and annuities;

7           (5) social security benefits;

8           (6) any sources of government aid provided to  
9           individuals, including, but not limited to:

10           (A) unemployment programs;

11           (B) disaster relief programs;

12           (C) Medicare or Medicaid benefits;

13           (D) benefits received through the Supplemental  
14           Nutrition Assistance Program;

15           (E) economic impact payments;

16           (F) the earned income tax credit or child tax  
17           credit;

18           (G) other income excluded from the definition of  
19           taxable income set forth by the Internal Revenue  
20           Service; or

21           (H) passive income that is not derived as a result  
22           of a consumer's active participation in any trade or  
23           business.

24           (110 ILCS 992/7-35 new)

25           Sec. 7-35. Fees permitted.           (a) In addition to the EISA

1 obligation permitted by this Act, an EISA provider may  
2 contract for and receive the following additional charges:

3 (1) government fees and taxes;

4 (2) a fee, which shall not exceed the sum of \$25, for a  
5 failure to provide documentation to the EISA provider for  
6 the confirmation and reconciliation of the consumer's  
7 income within 30 days after the date on which such  
8 documentation is due, as reflected in the written notice  
9 to the consumer;

10 (3) a fee for processing any forms to confirm the  
11 consumer's income with the United States Internal Revenue  
12 Service or a state department of revenue or taxation on a  
13 dollar-for-dollar, pass-through basis of the expenses  
14 incurred by the EISA provider;

15 (4) a late payment fee in the amount of \$15 or 5% of  
16 the late payment, whichever is less, for any payment that  
17 is more than 15 days past due; no late payment fee may be  
18 charged more than once per late payment;

19 (5) an amount not exceeding \$25, plus any actual  
20 expenses incurred in connection with a check or draft that  
21 is not honored because of insufficient or uncollected  
22 funds or because no such account exists; and

23 (6) other fees authorized by the Secretary.

24 In determining whether to authorize a charge, the  
25 Secretary shall consider whether the charge benefits the  
26 consumer and is reasonable.

1       (b) Before or after default in payment of a scheduled  
2 payment of an EISA, the parties to the EISA may agree in  
3 writing to a deferral of all or part of one or more unpaid  
4 payments and the EISA provider may make, at the time of  
5 deferral and receive at that time or at any time thereafter, a  
6 deferral charge not exceeding an amount equal to 5% of the  
7 missed payment, except that this paragraph (7) shall not apply  
8 to voluntary payment relief pauses.

9           (110 ILCS 992/7-40 new)

10       Sec. 7-40. Restriction on security interest. Under no  
11 circumstances shall an EISA provider take a security interest  
12 in any collateral in connection with an EISA.

13           (110 ILCS 992/7-45 new)

14       Sec. 7-45. Discharge of obligations.

15       (a) All obligations under an EISA shall terminate if the  
16 consumer is deemed totally and permanently disabled by the  
17 applicable governmental agency.

18       (b) All obligations under an EISA shall terminate upon the  
19 death of the consumer.

20           (110 ILCS 992/7-50 new)

21       Sec. 7-50. Prohibition on cosigners. No EISA shall include  
22 or permit the use of a cosigner in connection with any  
23 obligation related to an EISA.

1 (110 ILCS 992/7-55 new)

2 Sec. 7-55. Limitation on acceleration.

3 (a) EISA providers shall not attempt to accelerate or  
4 otherwise liquidate a future payment stream under an EISA.

5 (b) Notwithstanding subsection (a), nothing in this  
6 Section shall prevent an EISA provider from collecting or  
7 pursuing any other remedy available to the EISA provider for  
8 the collection of amounts that were due from the consumer  
9 under an EISA that were not paid or properly remitted to the  
10 EISA provider. Nothing in this Section shall prevent an EISA  
11 provider from calculating a projected future income for a  
12 consumer and calculating a consumer's payment obligation using  
13 that projection if the consumer does not provide contractually  
14 obligated documentation of income.

15 (c) Notwithstanding subsection (a), an EISA may contain a  
16 provision that allows a consumer to terminate the consumer's  
17 EISA before the events terminating further obligations under  
18 the EISA. The early termination mechanisms, such as total caps  
19 on payments due to the EISA provider or other rights to  
20 partially or fully terminate further obligations under the  
21 EISA, must be optional to the consumer and within the  
22 consumer's control. In such circumstances, such mechanisms  
23 shall not be deemed a form of acceleration.

24 (110 ILCS 992/7-60 new)



1       Sec. 7-60. No assignment of wages.

2       (a) An EISA provider may not take an assignment of  
3 earnings or wages of the consumer for payment or as security  
4 for payment of a debt arising out of an EISA. An assignment of  
5 earnings in violation of this Section is unenforceable by the  
6 assignee of the earnings and revocable by the consumer. This  
7 Section does not limit the ability of the consumer to  
8 voluntarily elect to use a revocable payroll deduction  
9 mechanism, such as one offered by an employer or payroll  
10 provider, provided that the consumer is not assigning the  
11 consumer's earnings or wages.

12       (b) A sale of unpaid earnings made in consideration of the  
13 payment of money to or for the account of the seller of the  
14 earnings is deemed to be a loan to the seller secured by an  
15 assignment of earnings.

16       (110 ILCS 992/7-65 new)

17       Sec. 7-65. Limitations on garnishment. Before entry of  
18 judgment in an action against a consumer for a payment arising  
19 from an EISA, a licensee may not attach unpaid earnings of the  
20 consumer by garnishment or like proceedings.

21       (110 ILCS 992/7-70 new)

22       Sec. 7-70. Use of multiple agreements. An EISA provider  
23 shall not use multiple agreements with respect to a single  
24 EISA with intent to violate any limitations of this Act.

1 (110 ILCS 992/7-75 new)

2 Sec. 7-75. Required disclosures.

3 (a) An EISA provider shall disclose the following  
4 information to each consumer, clearly and conspicuously, in a  
5 form that the consumer can keep at the time the transaction is  
6 consummated:

7 (1) the date of the EISA;

8 (2) the dollar amount of the amount financed;

9 (3) the sales price of the transaction if different  
10 from the amount financed;

11 (4) the EISA payment calculation method, including any  
12 percentages used in the EISA payment calculation method,  
13 which shall be rounded to the nearest one-hundredth of 1%  
14 if the percentage is not a whole number;

15 (5) the maximum number of payments expressed as a  
16 whole number;

17 (6) the maximum duration expressed as a whole number  
18 of the period of time;

19 (7) the income threshold expressed as a dollar amount  
20 and a statement that payments will only be required during  
21 periods when the consumer's income is equal to or exceeds  
22 the income threshold;

23 (8) an itemization of the amount financed and, if the  
24 EISA provider is a seller of goods or services, an  
25 itemization of the amount of any down payment and any

1       additional fees or costs;

2           (9) the definition of "income" to be used for the  
3       purposes of calculating the consumer's obligations under  
4       the EISA;

5           (10) a description of the terms under which the  
6       obligations of the consumer under the EISA will be  
7       extinguished before the full EISA duration;

8           (11) a payment schedule that shows the date on which  
9       the first payment will be due and reflects each date  
10       thereafter during the EISA duration that a payment may be  
11       due;

12           (12) an itemization of any permissible fees associated  
13       with the EISA;

14           (13) a description of the methods used by the EISA  
15       provider to engage in a process of reconciliation and  
16       verification to determine if the consumer's payments are  
17       more than, equal to, or less than the payments owed by the  
18       consumer under the consumer's EISA; this description shall  
19       include the following:

20           (i) a description of the frequency or triggers for  
21       the commencement of the income verification process;

22           (ii) a description of the requirements and timing  
23       of the process in which the consumer must participate  
24       in order for the EISA provider to verify the  
25       consumer's income; and

26           (iii) a description of any records or forms,

1 including tax records, that the consumer may be  
2 required to execute or submit.

3 (14) the name and address of the EISA provider;

4 (15) a table that displays the dollar amounts of each  
5 payment, the number of payments, the effective annual  
6 percentage rate, and the total of all payments that a  
7 consumer would be required to pay under the EISA at a range  
8 of annual income levels based on the EISA duration and  
9 that includes a statement that "This comparison table is  
10 for illustrative purposes only and may not reflect the  
11 amounts that you are likely to pay under this educational  
12 income share agreement. This table assumes you have the  
13 same income over the entire term of your educational  
14 income share agreement. It does not take into account  
15 changes in income. Your income will likely change over  
16 time. This table does not represent the income or range of  
17 incomes that you are likely to earn in the future.". In  
18 computing the APR, the EISA provider shall use the amount  
19 financed and may assume that the EISA will be disbursed in  
20 the amount and with the disbursement schedule that it  
21 reasonably expects to follow for such EISA and that  
22 payments would commence on the date set forth in the EISA.  
23 The income used in this disclosure shall include, at  
24 minimum, the obligations at the following incomes:

25 (i) no income;

26 (ii) income equal to the annual equivalent of the

1 income threshold;

2 (iii) various income scenarios with at least  
3 calculations at annual incomes of \$40,000, \$60,000,  
4 \$80,000, \$100,000, \$125,000, \$150,000, \$175,000, and  
5 \$200,000; and

6 (iv) if known by the EISA provider, the consumer's  
7 current income;

8 (16) a statement that the EISA is not a fixed payment  
9 installment loan and that the amount the consumer will be  
10 required to pay under the EISA:

11 (i) may be more or less than the amount financed by  
12 the EISA provider; and

13 (ii) will vary in proportion with the consumer's  
14 income; and

15 (17) a statement relating to the bankruptcy treatment  
16 of the EISA consistent with the requirements set forth in  
17 12 CFR 1026.47(a)(3)(iv), as it may be amended or  
18 interpreted.

19 (b) The disclosures required by this Section shall be  
20 grouped together and segregated from all other information.

21 (c) The disclosures required by this Section may be  
22 provided to a consumer in electronic form, subject to  
23 compliance with the consumer's consent and other applicable  
24 provisions of the Electronic Signatures in Global and National  
25 Commerce Act, 15 U.S.C. 7001 et seq., and applicable State  
26 law.

1       (d) If model documents are established pursuant to any  
2       federal law covering income share agreements, compliance with  
3       those forms shall be considered compliance with this Act with  
4       respect to the disclosure requirements contained in this Act.

5           (110 ILCS 992/7-80 new)

6       Sec. 7-80. Early completion. An EISA shall specify the  
7       terms and conditions by which the consumer may extinguish the  
8       consumer's obligations under the EISA before the end of the  
9       EISA's duration. An EISA must not include a prepayment penalty  
10       that violates the prohibition found in 15 U.S.C. 1650(e), as  
11       it may be amended or interpreted. A consumer may always cancel  
12       an EISA by making aggregate payments, excluding payments to  
13       fees, equal to the EISA payment cap. The consumer is entitled  
14       to this early completion regardless of whether the consumer  
15       makes this early completion payment by making regularly  
16       scheduled payments or by making a single lump-sum payment in  
17       the amount of the early completion payment.

18       This Section shall create an early completion mechanism  
19       for EISAs that is in lieu of other State laws regarding  
20       prepayment penalties.

21           (110 ILCS 992/7-85 new)

22       Sec. 7-85. Assumption of increase in future income.

23       (a) If a consumer fails to provide income documentation as  
24       reasonably required by an EISA, an EISA provider may assign an

1 amount of income to the consumer and compute the consumer's  
2 monthly payment amount by any of the following methods, to the  
3 extent disclosed in the EISA:

4 (1) assigning an income amount obtained from a  
5 reasonably reliable third party or a credit reporting  
6 agency;

7 (2) if the consumer previously provided income  
8 documentation or has had an income assigned in the prior  
9 12-month period that has increased by an amount not to  
10 exceed 10%, but such increase may not be applied more than  
11 once per 12-month period;

12 (3) contacting the Department of Revenue or the  
13 Internal Revenue Service to obtain the most recent  
14 information available about the student's income; or

15 (4) assigning a reasonable qualified income based on  
16 the incomes of the nearest reasonably relevant quantile of  
17 income of consumers who attended the same or a reasonably  
18 comparable covered educational program or course of study,  
19 as determined by information published by the Bureau of  
20 Labor Statistics or other reasonably reliable publicly  
21 available data sources.

22 (b) If an EISA provider assigns an income to a consumer's  
23 EISA, then it shall notify the consumer in the monthly billing  
24 statement, and in each billing statement thereafter while the  
25 assigned income remains applicable to the consumer's EISA,  
26 that income has been assigned and of the consumer's rights

1 under this Section.

2 (c) If the consumer does provide income information as  
3 reasonably required by the EISA within one year of the date on  
4 which the EISA provider notified the consumer that assigned  
5 income will be applied to the EISA, then, within 15 days after  
6 the EISA provider's receipt of such information, the EISA  
7 provider shall update each prior instance in which assigned  
8 income was applied using the income information provided by  
9 the consumer; if the consumer provides income information more  
10 than one year after the EISA provider first assigned income to  
11 the consumer's EISA, then the EISA provider may, but is not  
12 obligated to, update each prior instance in which assigned  
13 income was applied using the income information provided by  
14 the consumer.

15 (d) An EISA provider that assigns income to an EISA shall  
16 retain all applicable records relating to the method and data  
17 sources used to make such estimation for 3 years after the end  
18 of that EISA.

19 (110 ILCS 992/7-90 new)

20 Sec. 7-90. Receipts; statements of account; evidence of  
21 payment.

22 (a) The EISA provider shall deliver or mail to the  
23 consumer, without request, a written receipt for each payment  
24 made pursuant to an EISA. A periodic statement showing a  
25 payment received by mail complies with this subsection (a).



1       (b) An EISA provider shall provide a written payment  
2 history to a borrower or cosigner upon request at no cost  
3 within 21 calendar days of receiving the request.

4       (c) An EISA provider shall indicate on its website that a  
5 borrower may request a payoff statement. An EISA provider  
6 shall provide the payoff statement within 10 days, including  
7 information the requester needs to pay off the loan. If a  
8 payoff is made, the EISA provider must send a paid-in-full  
9 notice within 30 days.

10       (110 ILCS 992/7-95 new)

11       Sec. 7-95. Adjustment of dollar amounts.

12       (a) From time to time, the dollar amounts in this Act  
13 designated as subject to change shall change, as provided in  
14 this Section, according to and to the extent of changes in the  
15 index.

16       (b) The index for December of the year preceding the year  
17 in which this Act becomes effective is the reference base  
18 index.

19       (c) The designated dollar amounts shall change on July 1  
20 of each even-numbered year if the percentage of change,  
21 calculated to the nearest whole percentage point, between the  
22 index and the end of the preceding year and the reference base  
23 index is 10% or more, but:

24           (1) the portion of the percentage change in the index  
25 in excess of a multiple of 10% shall be disregarded and the

1 dollar amounts shall change only in multiples of 10% of  
2 the amounts provided in this Act on the date of enactment;  
3 and

4 (2) the dollar amounts shall not change if the amounts  
5 required by this Section are those currently in effect  
6 pursuant to this Act as a result of earlier application of  
7 this Section.

8 (d) If the index is revised, the percentage of change  
9 pursuant to this Section shall be calculated on the basis of  
10 the revised index. If a revision of the index changes the  
11 reference base index, a revised reference base index shall be  
12 determined by multiplying the reference base index then  
13 applicable by the rebasing factor furnished by the Bureau of  
14 Labor Statistics. If the index is superseded, the index  
15 referred to in this Section is the one represented by the  
16 Bureau of Labor Statistics as reflecting most accurately  
17 changes in the purchasing power of the dollar for consumers.

18 (e) The Department shall adopt a rule setting forth, on or  
19 before April 30 of each year in which dollar amounts are to  
20 change, the changes in dollar amounts required by this  
21 Section. As soon as practical after the changes occur, the  
22 Department shall adopt a rule setting forth the changes in the  
23 index required by subsection (d), including, if applicable,  
24 the numerical equivalent of the reference base index under a  
25 revised reference base index and the designation or title of  
26 any index superseding the index.

1       (f) A person does not violate this Act with respect to a  
2 transaction otherwise complying with this Act if the person  
3 relies on dollar amounts either determined according to  
4 subsection (c) or appearing in the last rule of the Department  
5 announcing the then-current dollar amounts.

6           (110 ILCS 992/7-100 new)

7       Sec. 7-100. Construction against implicit authority. This  
8 Act is a general Act intended as a unified coverage of its  
9 subject matter. No part of this Act shall be construed to be  
10 impliedly repealed by subsequent law if that construction can  
11 reasonably be avoided.

12           (110 ILCS 992/7-105 new)

13       Sec. 7-105. Application of other Acts. EISAs and EISA  
14 providers are subject to other Articles of this Act, the Know  
15 Before You Owe Private Education Loan Act, and the Predatory  
16 Loan Prevention Act and shall comply with their requirements  
17 and any rules adopted by the Department of Financial and  
18 Professional Regulation pursuant to those Acts. Nothing in  
19 this Section is intended to imply that: (i) an EISA is not a  
20 credit transaction or (ii) an EISA does not create a debt upon  
21 the accrual of an obligation under the EISA.

22           (110 ILCS 992/7-110 new)

23       Sec. 7-110. Rulemaking. Notwithstanding any other

1 provision of this Act, the Secretary may adopt rules for the  
2 regulation of any EISA provider that does not engage in the  
3 servicing of student loans, including, but not limited to,  
4 EISAs. The Secretary's authority to adopt rules shall include,  
5 but is not limited to, licensure, examination, supervision,  
6 investigation, confidentiality, and enforcement. The rules  
7 adopted by the Secretary shall not incorporate any provision  
8 of Article 1, 5, 10, 15, 20, or 25 of this Act if that  
9 provision conflicts with this Article.

10 (110 ILCS 992/25-5)

11 Sec. 25-5. Enforcement; Consumer Fraud and Deceptive  
12 Business Practices Act. The Attorney General may enforce a  
13 violation of Article 5 or 7 of this Act as an unlawful practice  
14 under the Consumer Fraud and Deceptive Business Practices Act.

15 (Source: P.A. 100-540, eff. 12-31-18.)

16 Section 10. The Consumer Installment Loan Act is amended  
17 by changing Section 1 as follows:

18 (205 ILCS 670/1) (from Ch. 17, par. 5401)

19 Sec. 1. License required to engage in business. No person,  
20 partnership, association, limited liability company, or  
21 corporation shall engage in the business of making loans of  
22 money and charge, contract for, or receive on any such loan a  
23 greater annual percentage rate than 9% except as authorized by

1 this Act after first obtaining a license from the Director of  
2 Financial Institutions (hereinafter called the Director). No  
3 licensee, or employee or affiliate thereof, that is licensed  
4 under the Payday Loan Reform Act shall obtain a license under  
5 this Act except that a licensee under the Payday Loan Reform  
6 Act may obtain a license under this Act for the exclusive  
7 purpose and use of making title-secured loans, as defined in  
8 subsection (a) of Section 15 of this Act and governed by Title  
9 38, Section 110.300 of the Illinois Administrative Code. For  
10 the purpose of this Section, "affiliate" means any person or  
11 entity that directly or indirectly controls, is controlled by,  
12 or shares control with another person or entity. A person or  
13 entity has control over another if the person or entity has an  
14 ownership interest of 25% or more in the other. A person or  
15 entity licensed to provide educational income share agreements  
16 is exempt from the requirements of this Act to the extent of  
17 its operation under Article 7 of the Student Loan Servicing  
18 Rights Act.

19 In this Act, "Director" means the Director of Financial  
20 Institutions of the Department of Financial and Professional  
21 Regulation.

22 (Source: P.A. 101-658, eff. 3-23-21.)

23 Section 15. The Interest Act is amended by changing  
24 Section 4 as follows:

1 (815 ILCS 205/4) (from Ch. 17, par. 6404)

2 Sec. 4. General interest rate.

3 (1) Except as otherwise provided in Section 4.05, in all  
4 written contracts it shall be lawful for the parties to  
5 stipulate or agree that an annual percentage rate of 9%, or any  
6 less sum, shall be taken and paid upon every \$100 of money  
7 loaned or in any manner due and owing from any person to any  
8 other person or corporation in this state, and after that rate  
9 for a greater or less sum, or for a longer or shorter time,  
10 except as herein provided.

11 The maximum rate of interest that may lawfully be  
12 contracted for is determined by the law applicable thereto at  
13 the time the contract is made. Any provision in any contract,  
14 whether made before or after July 1, 1969, which provides for  
15 or purports to authorize, contingent upon a change in the  
16 Illinois law after the contract is made, any rate of interest  
17 greater than the maximum lawful rate at the time the contract  
18 is made, is void.

19 It is lawful for a state bank or a branch of an  
20 out-of-state bank, as those terms are defined in Section 2 of  
21 the Illinois Banking Act, to receive or to contract to receive  
22 and collect interest and charges at any rate or rates agreed  
23 upon by the bank or branch and the borrower. It is lawful for a  
24 savings bank chartered under the Savings Bank Act or a savings  
25 association chartered under the Illinois Savings and Loan Act  
26 of 1985 to receive or contract to receive and collect interest

1 and charges at any rate agreed upon by the savings bank or  
2 savings association and the borrower.

3 It is lawful to receive or to contract to receive and  
4 collect interest and charges as authorized by this Act and as  
5 authorized by the Consumer Installment Loan Act, the Payday  
6 Loan Reform Act, the Retail Installment Sales Act, the  
7 Illinois Financial Services Development Act, the Motor Vehicle  
8 Retail Installment Sales Act, ~~or~~ the Consumer Legal Funding  
9 Act, or the Student Loan Servicing Rights Act. It is lawful to  
10 charge, contract for, and receive any rate or amount of  
11 interest or compensation, except as otherwise provided in the  
12 Predatory Loan Prevention Act, with respect to the following  
13 transactions:

14 (a) Any loan made to a corporation;

15 (b) Advances of money, repayable on demand, to an  
16 amount not less than \$5,000, which are made upon warehouse  
17 receipts, bills of lading, certificates of stock,  
18 certificates of deposit, bills of exchange, bonds or other  
19 negotiable instruments pledged as collateral security for  
20 such repayment, if evidenced by a writing;

21 (c) Any credit transaction between a merchandise  
22 wholesaler and retailer; any business loan to a business  
23 association or copartnership or to a person owning and  
24 operating a business as sole proprietor or to any persons  
25 owning and operating a business as joint venturers, joint  
26 tenants or tenants in common, or to any limited

1 partnership, or to any trustee owning and operating a  
2 business or whose beneficiaries own and operate a  
3 business, except that any loan which is secured (1) by an  
4 assignment of an individual obligor's salary, wages,  
5 commissions or other compensation for services, or (2) by  
6 his household furniture or other goods used for his  
7 personal, family or household purposes shall be deemed not  
8 to be a loan within the meaning of this subsection; and  
9 provided further that a loan which otherwise qualifies as  
10 a business loan within the meaning of this subsection  
11 shall not be deemed as not so qualifying because of the  
12 inclusion, with other security consisting of business  
13 assets of any such obligor, of real estate occupied by an  
14 individual obligor solely as his residence. The term  
15 "business" shall be deemed to mean a commercial,  
16 agricultural or industrial enterprise which is carried on  
17 for the purpose of investment or profit, but shall not be  
18 deemed to mean the ownership or maintenance of real estate  
19 occupied by an individual obligor solely as his residence;

20 (d) Any loan made in accordance with the provisions of  
21 Subchapter I of Chapter 13 of Title 12 of the United States  
22 Code, which is designated as "Housing Renovation and  
23 Modernization";

24 (e) Any mortgage loan insured or upon which a  
25 commitment to insure has been issued under the provisions  
26 of the National Housing Act, Chapter 13 of Title 12 of the



1 United States Code;

2 (f) Any mortgage loan guaranteed or upon which a  
3 commitment to guaranty has been issued under the  
4 provisions of the Veterans' Benefits Act, Subchapter II of  
5 Chapter 37 of Title 38 of the United States Code;

6 (g) Interest charged by a broker or dealer registered  
7 under the Securities Exchange Act of 1934, as amended, or  
8 registered under the Illinois Securities Law of 1953,  
9 approved July 13, 1953, as now or hereafter amended, on a  
10 debit balance in an account for a customer if such debit  
11 balance is payable at will without penalty and is secured  
12 by securities as defined in Uniform Commercial  
13 Code-Investment Securities;

14 (h) Any loan made by a participating bank as part of  
15 any loan guarantee program which provides for loans and  
16 for the refinancing of such loans to medical students,  
17 interns and residents and which are guaranteed by the  
18 American Medical Association Education and Research  
19 Foundation;

20 (i) Any loan made, guaranteed, or insured in  
21 accordance with the provisions of the Housing Act of 1949,  
22 Subchapter III of Chapter 8A of Title 42 of the United  
23 States Code and the Consolidated Farm and Rural  
24 Development Act, Subchapters I, II, and III of Chapter 50  
25 of Title 7 of the United States Code;

26 (j) Any loan by an employee pension benefit plan, as

1 defined in Section 3 (2) of the Employee Retirement Income  
2 Security Act of 1974 (29 U.S.C.A. Sec. 1002), to an  
3 individual participating in such plan, provided that such  
4 loan satisfies the prohibited transaction exemption  
5 requirements of Section 408 (b) (1) (29 U.S.C.A. Sec. 1108  
6 (b) (1)) or Section 2003 (a) (26 U.S.C.A. Sec. 4975 (d)  
7 (1)) of the Employee Retirement Income Security Act of  
8 1974;

9 (k) Written contracts, agreements or bonds for deed  
10 providing for installment purchase of real estate,  
11 including a manufactured home as defined in subdivision  
12 (53) of Section 9-102 of the Uniform Commercial Code that  
13 is real property as defined in the Conveyance and  
14 Encumbrance of Manufactured Homes as Real Property and  
15 Severance Act;

16 (l) Loans secured by a mortgage on real estate,  
17 including a manufactured home as defined in subdivision  
18 (53) of Section 9-102 of the Uniform Commercial Code that  
19 is real property as defined in the Conveyance and  
20 Encumbrance of Manufactured Homes as Real Property and  
21 Severance Act;

22 (m) Loans made by a sole proprietorship, partnership,  
23 or corporation to an employee or to a person who has been  
24 offered employment by such sole proprietorship,  
25 partnership, or corporation made for the sole purpose of  
26 transferring an employee or person who has been offered

1 employment to another office maintained and operated by  
2 the same sole proprietorship, partnership, or corporation;

3 (n) Loans to or for the benefit of students made by an  
4 institution of higher education.

5 (2) Except for loans described in subparagraph (a), (c),  
6 (d), (e), (f) or (i) of subsection (1) of this Section, and  
7 except to the extent permitted by the applicable statute for  
8 loans made pursuant to Section 4a or pursuant to the Consumer  
9 Installment Loan Act:

10 (a) Whenever the rate of interest exceeds an annual  
11 percentage rate of 8% on any written contract, agreement  
12 or bond for deed providing for the installment purchase of  
13 residential real estate, or on any loan secured by a  
14 mortgage on residential real estate, it shall be unlawful  
15 to provide for a prepayment penalty or other charge for  
16 prepayment.

17 (b) No agreement, note or other instrument evidencing  
18 a loan secured by a mortgage on residential real estate,  
19 or written contract, agreement or bond for deed providing  
20 for the installment purchase of residential real estate,  
21 may provide for any change in the contract rate of  
22 interest during the term thereof. However, if the Congress  
23 of the United States or any federal agency authorizes any  
24 class of lender to enter, within limitations, into  
25 mortgage contracts or written contracts, agreements or  
26 bonds for deed in which the rate of interest may be changed

1 during the term of the contract, any person, firm,  
2 corporation or other entity not otherwise prohibited from  
3 entering into mortgage contracts or written contracts,  
4 agreements or bonds for deed in Illinois may enter into  
5 mortgage contracts or written contracts, agreements or  
6 bonds for deed in which the rate of interest may be changed  
7 during the term of the contract, within the same  
8 limitations.

9 (3) In any contract or loan which is secured by a mortgage,  
10 deed of trust, or conveyance in the nature of a mortgage, on  
11 residential real estate, the interest which is computed,  
12 calculated, charged, or collected pursuant to such contract or  
13 loan, or pursuant to any regulation or rule promulgated  
14 pursuant to this Act, may not be computed, calculated, charged  
15 or collected for any period of time occurring after the date on  
16 which the total indebtedness, with the exception of late  
17 payment penalties, is paid in full.

18 (4) For purposes of this Section, a prepayment shall mean  
19 the payment of the total indebtedness, with the exception of  
20 late payment penalties if incurred or charged, on any date  
21 before the date specified in the contract or loan agreement on  
22 which the total indebtedness shall be paid in full, or before  
23 the date on which all payments, if timely made, shall have been  
24 made. In the event of a prepayment of the indebtedness which is  
25 made on a date after the date on which interest on the  
26 indebtedness was last computed, calculated, charged, or

1 collected but before the next date on which interest on the  
2 indebtedness was to be calculated, computed, charged, or  
3 collected, the lender may calculate, charge and collect  
4 interest on the indebtedness for the period which elapsed  
5 between the date on which the prepayment is made and the date  
6 on which interest on the indebtedness was last computed,  
7 calculated, charged or collected at a rate equal to 1/360 of  
8 the annual rate for each day which so elapsed, which rate shall  
9 be applied to the indebtedness outstanding as of the date of  
10 prepayment. The lender shall refund to the borrower any  
11 interest charged or collected which exceeds that which the  
12 lender may charge or collect pursuant to the preceding  
13 sentence. The provisions of this amendatory Act of 1985 shall  
14 apply only to contracts or loans entered into on or after the  
15 effective date of this amendatory Act, but shall not apply to  
16 contracts or loans entered into on or after that date that are  
17 subject to Section 4a of this Act, the Consumer Installment  
18 Loan Act, the Payday Loan Reform Act, the Predatory Loan  
19 Prevention Act, or the Retail Installment Sales Act, or that  
20 provide for the refund of precomputed interest on prepayment  
21 in the manner provided by such Act.

22 (5) For purposes of items (a) and (c) of subsection (1) of  
23 this Section, a rate or amount of interest may be lawfully  
24 computed when applying the ratio of the annual interest rate  
25 over a year based on 360 days. The provisions of this  
26 amendatory Act of the 96th General Assembly are declarative of

1 existing law.

2 (6) For purposes of this Section, "real estate" and "real  
3 property" include a manufactured home, as defined in  
4 subdivision (53) of Section 9-102 of the Uniform Commercial  
5 Code that is real property as defined in the Conveyance and  
6 Encumbrance of Manufactured Homes as Real Property and  
7 Severance Act.

8 (Source: P.A. 101-658, eff. 3-23-21; 102-987, eff. 5-27-22.)

9 Section 97. Severability. The provisions of this Act are  
10 severable under Section 1.31 of the Statute on Statutes.

11 Section 99. Effective date. This Act takes effect upon  
12 becoming law.

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